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# REVIEW OF ECONOMIC TRENDS



ONTARIO

*Prepared By The*  
**ONTARIO DEPARTMENT OF ECONOMICS**  
AND  
**DEVELOPMENT**

**Vol. 3, No. 6.**

**JULY, 1962**



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## SUMMARY

Economic activity has picked up sharply this summer after a fairly slow spring. There are, however, increasingly strong indications that the rise will be slowing down in the next few months. Taking into account the most recent data available, ten of 16 leading economic indicators in Ontario and Canada declined. On the other hand, the coincident and lagging indicators showed more strength in May and June than they did in the early spring.

It is too early to be able to measure the effects of government action in pegging the dollar, raising tariffs and increasing interest rates in most fields of activity. There was some rise in the food price index in June which could have been partially a result of the devaluation of the dollar, although there is usually a slight rise in food prices in June. Wholesale prices of industrial materials have risen sharply in the past few months partially as a result of the devaluation of the Canadian dollar. The Canadian automobile manufacturers have suffered less from the competition of European imports this year than they have in the past few years but this was partly the result of the change in practice of valuation of cars for tariff purposes, which took place following the Royal Commission on the automobile industry. It will be a few months before the full effects of the changes are felt.

The only leading indicators which are continuing to point to a further upturn in the economy are business failures which were down slightly in June, construction contracts in the business sector which were exceptionally high in June and wholesale prices of industrial materials which were still rising in May.

Average hours of work in manufacturing have dropped off slightly from the peak but they are still vacillating from month to month. Employment has shown great strength but the unusually large increment to the work force this summer left us with a continuing substantial pool of unemployed at the end of June. The T.S.E. industrial stock index (seasonally adjusted) continued to drop in June and closed the month at 523.8, down more than 30 points from the May close. Business failures, while down slightly in June, are still relatively high in both number and value of liabilities, particularly in Ontario.

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Manufacturing production levelled off in April as a slight decline in the non-durable sector balanced the rise in durables. New orders eased downward in May even though the steel and automobile industries are still showing great strength. Power consumption had been declining from the beginning of the year but in May rose again to close to the January level.

Construction contracts this year have been holding up well. The major increase has been in the business sector, largely the result of contracts let for schools, hospitals and shopping centers including a gigantic shopping center in the metropolitan Toronto area. Housing contracts awarded are also very high, even though the trend in housing starts has been down this summer. Housing completions have declined from the beginning of the year but are still well ahead of those a year ago. The industrial and engineering sectors have been sharply reduced this year.

Rising employment, particularly in the high-wage-rate durable manufactured goods sectors, has brought continuing increases in labour income. In the first four months of 1962 labour income in Canada was rising at a rate of more than six per cent per annum and in Ontario at about 7 per cent per annum. Retail trade has held up well in the early months of 1962, but has not shown any real rising trend since the beginning of the year. The strongest single retail trade item is motor vehicles, sales of which have been exceptionally strong this year. Cheques cashed in clearing centers also appear to have levelled off during the early months of this year, although they, too, are continuing much above 1961 levels. There is some indication that trade has picked up again in the mid-summer as automobile sales are continuing stronger than usual.

The foreign exchange crisis, which culminated in Prime Minister Diefenbaker's announcement of June 24, had a significant impact on the money market and the bond markets. Interest rates on short term funds increased sharply during the month and all sections of the bond market in Canada continued to weaken. A continuing downward adjustment in stock prices occurred, but by the end of June, a slight stabilizing trend emerged. An improvement in the price of the Canadian dollar in terms of U.S. funds was noted towards the end of the month.



Economic conditions in the United States for May were very mixed.

Industrial production and personal incomes were higher than they have ever been with sales and the average number of hours worked per week in manufacturing at near record levels. Construction expenditures and anticipated expenditures for new plant and machinery were also high and rising. On the other hand, retail durable goods sales and manufacturers' new orders were dropping and falling corporate profit figures for the first quarter tended to discourage future investment programs. A further weakening in stock market prices provided fuel for future pessimism. Employment increased somewhat but the rate of seasonally adjusted unemployment showed little or no improvement in May, remaining stable at 5.4 per cent of the civilian labour force.



ECONOMIC INDICATORS - SEASONALLY ADJUSTEDI. Leading Indicators

	Average Weekly Hours Worked in Manufacturing		Industrial Stock Index T.S.E.	Business Failures				
	Ontario	Canada		Number		Liabilities		
				Ontario	Canada	Ontario	Canada	
	1934=100				\$'000			
1959	40.6	40.7	528.37	586	1,483	34,399	74,657	
1960	40.3	40.4	494.69	784	1,901	121,527	180,327	
1961	40.5	40.6	583.54	815	2,028	51,036	115,778	
1959	June	40.9	40.8	529.78	54	123	3,642	6,681
	July	40.7	40.7	537.55	47	108	3,543	7,359
	Aug.	40.6	40.8	522.31	55	126	3,899	8,335
	Sept.	40.6	40.7	516.48	58	142	5,353	8,850
	Oct.	40.7	40.8	523.76	55	142	4,466	7,585
	Nov.	40.3	40.5	527.55	60	144	3,800	8,489
	Dec.	40.4	40.5	532.08	48	143	5,694	10,818
1960	Jan.	40.4	40.6	512.91	52	142	5,324	9,771
	Feb.	40.1	40.3	499.60	56	145	22,674	30,740
	Mar.	40.2	40.4	493.22	61	155	7,817	10,249
	Apr.	40.2	40.3	486.24	68	143	5,811	12,157
	May	40.0	39.9	488.92	76	150	4,173	10,209
	June	40.1	40.2	480.31	59	139	4,948	10,888
	July	40.3	40.5	463.68	58	144	3,175	7,267
	Aug.	40.3	40.3	491.78	66	196	5,150	11,410
	Sept.	40.3	40.4	490.43	86	173	7,768	11,942
	Oct.	40.1	40.2	497.38	66	159	4,850	11,250
	Nov.	40.1	40.2	508.24	67	173	4,143	11,364
	Dec.	40.0	40.1	524.63	77	188	7,678	13,882
1961	Jan.	39.9	40.0	543.55	75	161	3,211	7,798
	Feb.	40.3	40.3	555.75	54	188	1,197	3,759
	Mar.	40.0	40.2	557.81	53	142	4,359	10,583
	Apr.	40.1	40.4	577.15	83	166	5,763	16,718
	May	40.3	40.3	569.60	70	175	6,333	10,682
	June	40.5	40.8	579.28	110	225	5,408	9,399
	July	40.4	40.5	577.05	69	183	9,092	16,926
	Aug.	40.8	40.7	587.30	74	153	11,671	12,933
	Sept.	40.9	40.8	603.38	89	177	4,342	8,287
	Oct.	40.8	40.7	611.03	63	184	5,161	13,870
	Nov.	40.7	40.7	620.61	55	157	4,884	11,657
	Dec.	40.6	40.5	617.55	42	126	3,134	7,377
1962	Jan.	40.5	40.5	608.97	97	193	4,077	8,473
	Feb.	40.7	40.7	618.93	57	161	961	3,061
	Mar.	40.9	40.9	621.77	68	149	4,546	6,547
	Apr.	40.5	40.4	608.95	89	188	4,640	12,272
	May			555.37	88	187	7,758	13,687
	June			523.84	95	169	7,368	12,833



ECONOMIC INDICATORS - SEASONALLY ADJUSTEDI. Leading Indicators

	New Orders in Manufacturing Canada	New Dwelling Unit Starts		Housing Contracts		Business, Industrial and Engineering Contracts	
		Ontario		Canada	Ontario	Canada	Ontario
		\$ Million	No.	No.	\$ Million	\$ Million	\$ Million
1959	23,330	54,158(1)	141,345(1)	504.8	1,111.7	757.5	2,107.4
1960	23,086	42,282	108,858	374.9	769.8	951.0	2,284.0
1961	23,994	48,144	125,577	402.6	1,006.0	826.4	2,217.0
1960	June	2,069	2,730	7,551	34.3	78.9	80.3
	July	1,995	3,025	8,192	37.9	93.5	171.6
	Aug.	1,960	3,153	8,405	37.2	84.4	72.3
	Sept.	1,989	2,855	8,246	34.0	95.3	51.8
	Oct.	2,049	3,176	8,607	40.6	88.5	63.6
	Nov.	1,948	4,868	10,092	35.7	86.0	81.1
	Dec.	1,940	2,993	9,060	35.2	74.9	59.9
						73.8	204.2
1960	Jan.	1,917	2,732	9,056	31.4	78.4	155.0
	Feb.	1,971	2,359	6,051	20.5	58.9	97.5
	Mar.	1,978	1,539	5,674	24.6	56.7	235.2
	Apr.	1,859	1,766	5,499	33.8	72.9	236.3
	May	1,879	2,134	5,249	28.2	56.1	177.2
	June	1,932	2,631	5,888	31.8	72.9	313.9
	July	1,865	2,819	6,413	35.1	64.0	194.8
	Aug.	1,936	2,091	5,514	30.7	61.7	32.7
	Sept.	1,990	2,781	6,324	32.0	63.5	173.5
	Oct.	1,884	2,854	6,904	34.2	65.4	60.3
	Nov.	1,968	3,200	7,184	28.9	64.1	78.2
	Dec.	1,922	3,354	8,947	35.9	71.0	65.3
						63.6	149.7
1961	Jan.	1,901	2,890	9,316	49.2	93.6	167.6
	Feb.	1,870	4,211	10,929	19.4	83.3	175.3
	Mar.	1,946	4,258	10,377	36.4	53.8	194.0
	Apr.	1,890	2,756	7,951	38.7	81.5	150.9
	May	1,951	2,725	6,696	33.6	92.0	31.8
	June	2,001	2,690	7,177	33.6	86.1	141.4
	July	1,971	2,737	6,403	29.7	78.4	170.5
	Aug.	2,099	3,504	7,850	46.5	77.7	137.2
	Sept.	2,060	3,385	7,610	38.9	99.6	186.9
	Oct.	2,042	2,544	6,997	20.2	84.7	75.8
	Nov.	2,217	3,052	8,442	31.0	66.5	259.5
	Dec.	2,043	3,385	8,572	32.6	92.9	65.8
						85.1	160.6
1962	Jan.	2,125	3,192	9,922	40.1	147.2	270.0
	Feb.	2,087	1,983	9,111	28.5	86.7	182.0
	Mar.	2,148	3,086	9,608	32.9	93.1	109.5
	Apr.	2,039	3,086	8,610	26.7	88.7	57.8
	May		2,947	7,202	35.4	93.5	66.1
	June				41.8	104.6	163.3
						157.6	142.0
							227.4

(1) Seasonal Adjustments, Ontario Department of Economics and Development. The annual totals are for all areas; they are 35 to 40% higher than the figures for urban centres of 5,000 and over which are the only data available monthly.



ECONOMIC INDICATORS - SEASONALLY ADJUSTEDII. Coincidental and Lagging Indicators.

	Gross National Product* \$ Million	Total	Industrial Production:			Canada	Electric Power & Gas Utilities
			Total	Manufacturing	Mining		
<u>1959</u>							
	Annual Rate			1949=100			
June	34,660	167.0	151.3	149.7	153.2	247.3	269.6
July		166.2	150.9	150.2	151.8	247.4	260.9
August	34,932	164.8	148.7	151.2	145.8	246.0	270.6
September		168.3	150.2	151.2	149.0	263.5	280.7
October		171.0	154.1	152.6	155.8	258.8	278.1
November	35,412	167.8	149.2	152.6	145.3	264.1	285.3
December		169.2	151.8	151.4	152.3	257.1	284.9
Year	34,784	166.1	149.8	150.1	149.5	251.1	268.7
<u>1960</u>							
January		172.1	155.1	154.9	155.4	256.5	287.5
February	35,988	170.2	152.4	152.8	151.9	260.6	288.9
March		171.8	153.2	154.1	152.2	263.2	299.6
April		166.6	148.9	149.6	148.1	251.5	293.0
May	35,620	167.2	149.0	151.1	146.5	256.4	296.0
June		166.6	148.6	151.7	145.0	249.0	302.1
July		164.3	146.1	150.6	140.9	249.7	297.8
August	35,720	165.6	146.7	150.4	142.3	249.1	314.6
September		167.2	148.2	150.8	145.1	255.2	314.4
October		166.7	149.2	152.4	145.5	245.6	301.4
November	36,384	166.1	147.9	152.6	142.5	252.2	298.9
December		166.3	148.1	151.8	143.8	248.7	305.6
Year	35,928	167.4	149.3	151.8	146.9	253.3	298.0
<u>1961</u>							
January		165.6	146.7	152.7	139.8	253.8	305.8
February	35,560	166.7	147.9	153.4	141.5	255.3	303.9
March		166.0	148.5	153.7	142.5	243.6	302.5
April		169.2	149.8	155.4	143.1	260.2	312.2
May	36,488	169.4	149.1	154.1	143.2	262.8	325.5
June		173.3	153.4	158.2	147.9	264.9	323.5
July		173.4	154.0	158.8	148.4	260.1	325.0
August	37,396	176.4	155.5	157.8	152.8	273.9	331.0
September		178.1	156.8	159.1	154.2	281.6	332.9
October		177.9	156.8	159.3	153.9	278.4	330.4
November	37,932	180.1	158.9	160.8	156.7	287.1	321.8
December		180.5	160.8	163.5	157.6	273.3	325.5
Year	36,844	172.9	153.0	157.0	148.4	266.9	317.7
<u>1962</u>							
January		179.8	158.5	162.4	153.9	280.4	336.0
February	38,616	182.5	161.4	164.1	158.4	281.7	335.9
March		184.3	163.0	165.9	159.7	287.4	335.2
April		184.5	163.0	164.5	161.3	289.9	333.9

Seasonal Adjustments, Dominion Bureau of Statistics.



ECONOMIC INDICATORS (CONTINUED) - SEASONALLY ADJUSTEDII. Coincidental and Lagging Indicators.

Cheques Cashed in Clearing Centres*			Retail Trade*		Labour Income**	
	Ontario (1)	Canada (2)	Ontario	Canada	Ontario	Canada
	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
959	27,842	97,586	6,220	16,283	7,352.0	17,463.0
960	28,457	102,954	6,314	16,502	7,571.0	18,119.0
961	30,422	114,577	6,337	16,664	7,911.0	18,884.0
959	June	2,247	7,834	514	1,341	613.6
	July	2,343	8,184	521	1,358	616.3
	Aug.	2,412	8,267	511	1,348	615.4
	Sept.	2,334	8,172	516	1,356	620.1
	Oct.	2,358	8,200	530	1,379	623.4
	Nov.	2,439	8,630	527	1,378	617.4
	Dec.	2,347	8,283	516	1,353	623.3
960	Jan.	2,380	8,346	530	1,376	627.5
	Feb.	2,444	8,575	520	1,361	626.6
	Mar.	2,292	8,266	521	1,351	627.4
	Apr.	2,294	8,436	528	1,367	629.3
	May	2,316	8,401	524	1,373	629.3
	June	2,340	8,551	524	1,370	627.4
	July	2,320	8,596	521	1,357	628.6
	Aug.	2,312	8,616	517	1,363	627.6
	Sept.	2,388	8,752	523	1,376	632.1
	Oct.	2,476	9,021	530	1,400	633.8
	Nov.	2,388	8,284	530	1,395	635.3
	Dec.	2,503	9,073	535	1,397	637.6
61	Jan.	2,532	9,231	536	1,408	638.8
	Feb.	2,272	8,436	516	1,365	643.0
	Mar.	2,338	9,307	511	1,353	645.8
	Apr.	2,562	9,381	513	1,346	648.1
	May	2,516	9,371	517	1,360	653.3
	June	2,551	9,397	532	1,388	659.6
	July	2,705	9,568	535	1,383	664.6
	Aug.	2,544	9,715	589	1,430	667.8
	Sept.	2,614	10,281	480	1,336	666.3
	Oct.	2,557	9,575	518	1,391	670.7
	Nov.	2,543	9,724	542	1,440	671.6
	Dec.	2,682	10,559	539	1,436	681.1
62	Jan.	2,705	10,338	542	1,442	683.1
	Feb.	2,736	10,439	531	1,419	687.2
	Mar.	2,774	10,058	546	1,435	694.3
	Apr.	2,770	10,253	544	1,456	696.7
	May			544	1,442	1,655.5

\* Seasonal Adjustments, Ontario Department of Economics and Development.

\*\* Seasonal Adjustments, Dominion Bureau of Statistics.

(1) Excluding Toronto.

(2) Excluding Toronto and Montreal.



ECONOMIC INDICATORS (CONTINUED) - SEASONALLY ADJUSTEDII. Coincidental and Lagging Indicators.

	<u>Labour Force</u> <u>'000</u>	<u>Employed</u> <u>'000</u>	<u>Unemployed No.</u> <u>'000</u>	<u>% of L.F.</u>	<u>Labour Force</u> <u>'000</u>	<u>Employed</u> <u>'000</u>	<u>Unemployed No.</u> <u>'000</u>	<u>% of L.F.</u>
----- Ontario -----								
59	2,290	2,187	103	4.5	6,228	5,856	373	6.0
60	2,367	2,239	128	5.4	6,403	5,955	448	7.0
61	2,392	2,262	131	5.5	6,519	6,047	472	7.2
----- Canada -----								
59	June	2,277	2,185	92	6,206	5,862	344	5.5
	July	2,296	2,201	95	6,234	5,888	346	5.6
	Aug.	2,296	2,196	100	6,232	5,873	359	5.8
	Sept.	2,292	2,208	84	6,241	5,901	340	5.4
	Oct.	2,308	2,216	92	6,265	5,903	362	5.8
	Nov.	2,313	2,202	111	6,266	5,895	371	5.9
	Dec.	2,322	2,217	105	6,281	5,902	379	6.0
60	Jan.	2,348	2,241	107	6,323	5,929	394	6.2
	Feb.	2,351	2,245	106	6,358	5,915	443	7.0
	Mar.	2,362	2,246	116	6,368	5,927	441	6.9
	Apr.	2,364	2,240	124	6,354	5,896	458	7.2
	May	2,386	2,256	130	6,404	5,948	456	7.1
	June	2,352	2,227	125	6,371	5,960	411	6.5
	July	2,338	2,208	130	6,388	5,952	436	6.8
	Aug.	2,365	2,225	140	6,424	5,972	452	7.0
	Sept.	2,371	2,242	129	6,423	5,980	443	6.9
	Oct.	2,390	2,252	138	6,473	5,993	480	7.4
	Nov.	2,389	2,255	134	6,477	5,993	484	7.5
	Dec.	2,387	2,238	149	6,482	5,980	502	7.7
61	Jan.	2,403	2,237	166	6,520	5,978	542	8.3
	Feb.	2,392	2,232	160	6,506	5,941	565	8.7
	Mar.	2,384	2,229	155	6,489	5,952	537	8.3
	Apr.	2,393	2,245	148	6,538	6,010	528	8.1
	May	2,398	2,259	139	6,555	6,061	494	7.5
	June	2,391	2,255	136	6,507	6,044	463	7.1
	July	2,392	2,255	137	6,534	6,073	464	7.1
	Aug.	2,395	2,280	115	6,502	6,077	425	6.5
	Sept.	2,384	2,290	94	6,491	6,065	426	6.5
	Oct.	2,384	2,271	113	6,512	6,080	432	6.6
	Nov.	2,398	2,292	106	6,524	6,118	406	6.2
	Dec.	2,398	2,294	104	6,547	6,162	385	5.9
62	Jan.	2,391	2,279	112	6,533	6,147	386	5.9
	Feb.	2,392	2,275	117	6,567	6,147	420	6.4
	Mar.	2,391	2,277	114	6,592	6,211	381	5.8
	Apr.	2,394	2,294	100	6,591	6,206	385	5.8
	May	2,401	2,306	95	6,603	6,229	374	5.7
	June	2,459	2,338	121	6,665	6,263	402	6.0



ECONOMIC INDICATORS (CONTINUED) - SEASONALLY ADJUSTEDII. Coincidental and Lagging Indicators

		<u>Industrial Employment</u>	<u>Average Hourly Earnings in Manufacturing</u>		
		<u>Ontario</u>	<u>Canada</u>	<u>Ontario</u>	<u>Canada</u>
1949=100					
959		121.3	119.7	1.82	1.72
960		119.2	118.7	1.87	1.78
961		118.8	118.0	1.93	1.83
959	June	121.5	119.9	1.81	1.71
	July	121.7	119.3	1.82	1.72
	Aug.	122.3	119.8	1.82	1.73
	Sept.	122.5	120.8	1.84	1.74
	Oct.	122.5	120.8	1.84	1.75
	Nov.	121.0	119.9	1.83	1.75
	Dec.	121.5	120.3	1.85	1.76
960	Jan.	121.2	120.1	1.86	1.76
	Feb.	121.0	120.0	1.86	1.76
	Mar.	120.3	119.7	1.86	1.77
	Apr.	119.6	118.8	1.87	1.78
	May	119.4	118.9	1.87	1.78
	June	119.2	119.3	1.87	1.78
	July	117.9	118.2	1.87	1.78
	Aug.	119.0	118.7	1.88	1.79
	Sept.	118.7	118.4	1.88	1.79
	Oct.	118.1	118.0	1.89	1.79
	Nov.	118.6	117.8	1.89	1.80
	Dec.	117.7	116.9	1.90	1.80
961	Jan.	117.2	116.5	1.90	1.80
	Feb.	117.0	116.2	1.90	1.81
	Mar.	117.0	116.5	1.92	1.82
	Apr.	117.1	116.6	1.92	1.83
	May	117.8	117.2	1.93	1.83
	June	118.1	117.7	1.93	1.82
	July	118.8	118.8	1.92	1.83
	Aug.	120.3	119.5	1.95	1.85
	Sept.	119.2	118.6	1.92	1.83
	Oct.	119.9	119.3	1.95	1.85
	Nov.	120.8	119.7	1.95	1.85
	Dec.	121.2	120.0	1.95	1.86
62	Jan.	121.2	120.3	1.94	1.85
	Feb.	120.9	120.1	1.95	1.85
	Mar.	121.4	120.6	1.96	1.86
	Apr.	121.9	120.8	1.96	1.87
	May				



ECONOMIC INDICATORS (CONTINUED) - SEASONALLY ADJUSTEDII. Coincidental and Lagging Indicators.

	<u>Power Consumption</u>		<u>New Dwelling Unit Completions</u>	
	<u>Ontario</u> <u>(MKWH)</u>	<u>Canada</u>	<u>Ontario</u> <u>(Number)</u>	<u>Canada</u>
1959	35,387	99,782	54,281(1)	145,571(1)
1960	36,983	108,912	46,982	123,757
1961	38,223	110,433	43,754	115,608
1959	June 2,962	8,271	3,751	9,270
	July 2,960	8,250	3,571	9,814
	Aug. 2,970	8,300	3,577	9,058
	Sept. 3,003	8,439	3,012	8,132
	Oct. 3,071	8,534	3,253	8,231
	Nov. 3,088	8,697	3,063	9,240
	Dec. 3,072	8,837	2,972	8,992
1960	Jan. 3,046	8,903	3,008	9,044
	Feb. 3,132	9,156	4,046	10,688
	Mar. 3,144	9,192	3,329	8,170
	Apr. 3,047	8,978	3,693	9,131
	May 3,077	8,849	3,081	8,147
	June 3,078	9,071	2,676	6,896
	July 3,025	8,998	2,809	7,285
	Aug. 3,105	9,225	2,582	7,118
	Sept. 3,102	9,298	2,945	7,449
	Oct. 3,050	8,999	1,828	5,736
	Nov. 3,074	9,058	3,143	6,873
	Dec. 3,106	9,146	2,657	6,476
1961	Jan. 3,129	9,175	3,358	7,280
	Feb. 3,019	8,927	3,580	8,037
	Mar. 3,076	9,129	2,411	5,902
	Apr. 3,013	9,069	1,810	6,356
	May 3,188	9,306	1,783	6,189
	June 3,197	9,047	2,959	7,339
	July 3,168	8,881	3,015	6,921
	Aug. 3,237	9,116	3,038	7,874
	Sept. 3,273	9,224	2,575	7,917
	Oct. 3,253	9,347	2,742	6,888
	Nov. 3,301	9,485	2,169	6,137
	Dec. 3,280	9,556	2,485	6,413
1962	Jan. 3,378	9,751	3,995	8,319
	Feb. 3,297	9,544	3,763	8,791
	Mar. 3,312	9,587	3,643	8,402
	Apr. 3,294	9,445	2,142	7,520
	May 3,356	9,746	2,775	7,117

(1) Seasonal Adjustments, Ontario Department of Economics and Development. The annual totals are for all areas; they are 35 to 40 per cent higher than the figures for urban centres of 5,000 and over which are the only data available monthly.



Industrial Production

The volume of industrial production in April remained unchanged at the peak level of the previous month, on a seasonally adjusted basis, after rising  $2\frac{1}{2}$  per cent during the first quarter. The only main sector to show increased output, compared with March, was mining with a one per cent rise which was partly offset by a fall in the output of electric and gas utilities. The overall output of the manufacturing industries was unchanged, a one per cent decline in non-durables offsetting a one per cent increase in durables.

Manufacturing

The volume of manufacturing output remained unchanged between March and April, on a seasonally adjusted basis, after a rise of almost three per cent during the first quarter. Output of non-durable goods declined from the March peak by nearly one per cent, as a result of mixed movements in the main groups. There were declines, none steep, in production of foods, beverages, leather, paper products, chemical and allied industries, textiles and tobacco. Gains were registered in the output of rubber and petroleum products, printing, publishing, clothing and miscellaneous manufactures. Output of durable goods increased in all the major groups except non-ferrous metals.

The value of manufacturing shipments increased between April and May, but the rise was less than usual for this time of year. New orders for manufactured goods received during May declined in value to a level below that of the last few months. However, as they exceeded actual shipments the value of unfilled orders at the end of the month rose a little. (All figures seasonally adjusted).

Inventories have not shown much change on a seasonally adjusted basis in the past few months. The ratio of inventory owned to shipments was 2.05 in May, down from April and slightly below last May's comparable figure of 2.09.

Output of motor vehicles continued at a very high level providing strong support for the economy. June's output of 51,771 vehicles was nearly a quarter above June 1961 and for the calendar year and the model year to June production exceeded the previous year by 27 to 28 per cent. The high level



of output continued in the first half of July and eased down in the third week in anticipation of the shutdown for the model changeover.

June's production of steel ingots was at a near-record 586,000 tons, nearly six per cent above June of 1961, maintaining the progress of the previous three months. Output for the first half of the year was 10 per cent higher than last year.

#### Mining

Mining output increased by one per cent in volume in April, on a seasonally adjusted basis. Metal mining was the strongest sector supported by the non-metals, while fuel output declined. Iron ore and natural gas output increased substantially and smaller gains were shown by gold, zinc and lead. There were large declines in nickel and coal output.

#### Wholesale Prices

The upward movement in the wholesale price index, which began in May after several months of stability, continued in June. The June rise affected five major groups, particularly animal products, and three groups declined. Prices in the second quarter were about  $3\frac{1}{2}$  per cent above the same period of 1961.

The wholesale prices of industrial materials, which advanced sharply in May, rose further in June (according to preliminary figures) but appeared to level out during the month. Second quarter prices were  $3\frac{3}{4}$  per cent higher than in the same months of 1961.

The rise in wholesale prices has obviously resulted in large measure from the devaluation of the Canadian dollar at the beginning of May.

#### Construction

Contracts awarded during the first half of the year totalled \$1,725 million, seasonally adjusted, just about the same as in the second half of 1961, gains in residential contracts offsetting non-residential losses. The weakening noticed in April and May was largely offset by the sudden strength of June. While June non-residential contracts were high, their special nature makes it unlikely that the downtrend in evidence since late 1961 has been reversed.



Residential contracts, seasonally adjusted, continued the rise begun from the low point in the first half of 1960 in the early months of this year. The second quarter, although lower than the first, showed a healthy volume.

The increasing weakness in non-residential contracts throughout the first half of the year was wholly in the engineering and industrial sectors in contrast to the unusually large volume of business contracts which continued to surge far ahead of previous record levels. The sudden jump in contracts in June was caused by the high volume of school construction and also by a \$47 million contract for a shopping centre in North York Township.

Starts of new dwelling units during the first five months of the year were about the same as one year ago. Completions of dwelling units continue to be ahead of last year, but as their volume is smaller than that of starts, the number of units under construction increased considerably during May of this year.

#### Labour Force, Employment and Income

The large influx of young people seeking summer jobs this year brought a much larger than usual increase in the work force in June. Thus even though employment has been very buoyant this summer, unemployment, seasonally adjusted, is continuing to fluctuate at around 6.0 per cent of the work force. In the past year employment in Canada has increased by 230,000, more than double the average annual employment increase of the previous five years. Manufacturing, construction, trade and services accounted for most of the year-to-year improvement; agriculture and forestry both showed slight year-to-year declines. Unemployment in June, unadjusted, totalled 301,000, about 70,000 below that of last June.

In the early part of 1962 labour income continued to rise at an average annual rate of about  $6\frac{1}{2}$  per cent. Both higher employment and higher wage rates are contributing to the rise. Average industrial wages in April 1962 were about \$2.00 higher per week than they had been in April 1961 and average hours of work in manufacturing were about the same as they had been a year earlier.

#### Retail Trade

Retail sales registered a further advance in April to \$1,456 million on a seasonally adjusted basis - a record level. With the exception of a



decline in February, retail sales have shown a rising trend in recent months.

The largest year-to-year advances in April were recorded in sales of motor vehicles (17.6%), department stores, lumber and building materials; declines were registered in sales of drug stores, fuel dealers and grocery stores. The remaining groups showed increases. The strongest selling group this year is motor vehicle dealers, which during the first four months of the year recorded sales 16 per cent higher than in the same period last year.

The outlook for the immediate future is good, particularly in the motor vehicle field where demand seems to be holding up strongly.

#### Consumer Prices

The consumer price index rose to 130.5 in June from 130.1 in May. Higher food prices were chiefly responsible for this increase but rises were also noted in the housing and clothing indexes. One very slight decrease occurred in the recreation and reading index, and the other components were unchanged.

Generally, consumers can expect a rising trend in prices due to the devaluation of the Canadian dollar and to the tariff increases of June 25, 1962. These measures will tend to raise the prices of all imported foodstuffs and industrial materials, and also of Canadian goods, whose price levels are affected by international agreements, i.e.: grain and flour, wood and lumber, etc.

#### PART II

#### NOTES ON ECONOMIC CONDITIONS IN ONTARIO

##### Manufacturing

Shipments of manufactured goods in Ontario in May and in the January to May period were over  $11\frac{1}{2}$  per cent higher in value than in the corresponding period of 1961. The May increase was the highest for any province and compared with  $7\frac{1}{2}$  per cent for the country as a whole. There were higher shipments in May this year, as compared with last, by the foods and beverages, tobacco, paper, iron and steel, transportation equipment, electrical and chemical products industries. The production of motor vehicles, one of the strongest elements in the Ontario economy, has obviously been a very important factor in maintaining our manufacturing output and should continue to be so.



### Construction

Construction contracts awarded in Ontario in the first half of the year present a distinctly different picture to those for Canada. Total contracts in the first six months amounted to \$768 million, seasonally adjusted, a considerable expansion from the second half of last year.

The increase, which has continued since the middle of 1960, is concentrated in the business sector; this has grown so rapidly that, in spite of a poor showing in both the engineering and industrial sectors and relative stability in the residential sector, total contracts reach a record level during the first half of the year. The large volume of business contracts was chiefly in school and hospital construction, but the largest single factor in June was a \$47 million shopping centre in North York Township.

Housing starts in urban centres during the first five months remained somewhat below last year's levels but completions were considerably higher, especially in May. However, starts in May outnumbered completions sufficiently to leave a sizeable increase in units under construction.

### Labour Force, Employment and Income

The Ontario work force increased very sharply in June after remaining fairly constant (except for seasonal variations) since October 1960. The large increase was the result of the much larger group of students looking for work this year. Because many of these students had not been placed by the time of the survey week unemployment rose slightly from the May level. The proportion of the work force unemployed in Ontario continues lower than in the rest of Canada or the United States but the rate of improvement in the Ontario labour market has not been as fast as that for all Canada this year. The seasonally adjusted ratios of unemployment to the work force in Ontario, Canada and the U.S.A. were 4.9%, 6.0% (June) and 5.4% (May), respectively.

Labour income in Ontario is rising slightly more rapidly than in the rest of Canada - at a rate of about 7 per cent per annum as compared with  $6\frac{1}{2}$  per cent for all Canada. Average hours of work in manufacturing are continuing higher than they were in early 1961 and average earnings of industrial workers in April were \$83.27 per week, about \$2.50 higher than in April 1961. The increase in average earnings was partially because of higher wage rates but was also partly because the greatest employment increase was



in iron and steel, automobile and electrical apparatus manufacturing which are all high wage industries.

Retail Trade

Retail sales in April were virtually unchanged compared with March, on a seasonally adjusted basis. Apart from a slight decline in February they have remained steady since November. Actual sales in the first four months of the year were nearly five per cent above the same period of 1961.

April sales of lumber and building materials, motor vehicles and department stores advanced significantly from April 1961. Declines were registered by grocery, furniture and appliance, drug and jewellery stores and fuel dealers. All other groups increased. During the period January to April motor vehicle dealers were leading all other branches of business, registering a 16 per cent increase over the same period last year. Nearly all other groups expanded sales.

PART III

A SUMMARY OF ECONOMIC CONDITIONS IN  
THE UNITED STATES

Economic conditions in the United States during the past month have been anything but clear. A plunge in stock market prices brought some pessimism concerning future business activity, but industrial production and personal income reached record levels in May. In addition, manufacturers' sales and the number of hours worked were at near record levels, indicating that there was still considerable buoyancy. Most surprising was the index of total industrial production (1957=100), which reached a record of 117.6 in May, despite the fact that steel production was falling. It continued to fall to an 18 month low in the first week of July. An anticipated rise in steel production, once 1963 automobile production commences will help to offset declining production.

Construction expenditures and anticipated expenditures for new plant and equipment are high. Total new construction expenditures in May, on a seasonally adjusted basis were rising principally due to expanding residential non-farm construction which showed every indication of further rises. Total new housing starts rose in May, continuing a sharp upward trend. Expenditures for new plant and equipment in the third quarter of this year are expected to be the highest ever. However, they could be revised downwards.



Despite these upward trends the current pessimism is not unfounded. The drop in stock market prices reflected, to a considerable extent, the determination of the Administration to hold the line on prices, leaving the inflated values of stocks, geared to further rises in prices, subject to a downward adjustment. This policy is designed to combat increasing competition from Europe. European manufacturers not only produce many of the goods which were formerly bought from the United States but also compete in the world market. The most serious consequence has been an outflow of capital from the United States seeking profits in Europe which were not forthcoming at home. Aware of the drain of capital, the U.S. Administration has tried to shore-up business at home. Accelerated depreciation allowances have been introduced and tax cuts are possible later on this year.

For the future, some slowing in business activity is indicated. A seasonally adjusted drop in corporate profits in the first quarter is bound to dampen succeeding activity and two leading indicators, durable goods sales and manufacturers' new orders, were falling in May.

For Ontario in the immediate future, the present high level of activity in the United States is stimulating business, but probable future adjustments in the U.S. are likely to have an adverse effect on conditions in Ontario towards the end of the year.



PART IV

NOTES ON FINANCIAL CONDITIONS

Introduction

In June, the interest of the financial community in Canada centred upon the foreign exchange crisis and the austerity measures announced by Prime Minister Diefenbaker on June 24, aimed at combatting and correcting Canada's balance of payments problems. The terms of the program included fiscal measures designed to reduce the budgetary deficit as well as to discourage non-essential imports; bolstering of Canada's holdings of foreign exchange currencies through loans and credits negotiated by the Government and a return to a fixed bank rate. Details of these measures together with general comments upon their possible effect on the Canadian economy are outlined in tabular form later in this section.

The total supply of money in Canada increased during the month, reaching a level of \$15,467 million - an increase of \$8 million and \$1,498 million over a month and a year ago, respectively. However, it is too early yet to assess the full effects of the Federal program on the money supply. Short-term funds were in scarce supply throughout June and interest rates rose substantially during the month. Indications are that higher interest rates may well prevail at least in the immediate future.

Weakness was in evidence in all sections of Canadian bond markets and price declines of some three to five points were registered by selected medium and long-term bonds. As yet, there is no indication that the market will stabilize - rather, that further price declines are likely to occur.

Continuing downward price adjustments characterized activity on Canadian stock markets during June. Industrial stock indices declined below their 1962 lows established in May. Gold share prices however again moved contrary to the general trend, and posted good gains.

Selling pressures on the Canadian dollar resulted in a loss of approximately \$400 million in foreign exchange from the Foreign Exchange Fund between June 1 and June 24. During this period, the exchange rate on Canadian funds remained at or near its minimum value of 91.57.



On June 24, Prime Minister Diefenbaker announced that large-scale borrowings and credits, totalling \$1,050 million, had been obtained from the International Monetary Fund, the U.S. Export-Import Bank and the American and British Central Banking Systems. Subsequently, the closing rate on the Canadian dollar advanced above its pegged level of U.S. \$0.92 $\frac{1}{2}$  for the first time since it was fixed at this level on May 2, 1962. Canada's official gold and dollar holdings stood at a level of \$1,800 million at the end of June. Of the increase of approximately \$700 million in the holdings since June 24, \$58 million is due to ordinary commercial transactions, the remainder being attributable to the loans and reciprocal currency arrangements noted above.



EMERGENCY INTERIM MEASURES ANNOUNCED BY PRIME MINISTER DIEFENBAKER ON JUNE 24, 1962

Measures	Comments
I. Tariff Surcharges Effective immediately, temporary surcharges ranging from 5% to 15% are imposed on approximately half of the goods by dollar value (\$3,100 million) imported into Canada. The graduated surcharges are applied as follows: - 15% additional duty on 53 tariff items covering imports considered to be of a luxury nature, i.e. cut flowers, alcoholic beverages, guns, rugs, perfumes, refrigerators, silverware. (Estimated to affect \$150 million of imports). - 10% additional duty on 102 tariff items covering imports considered to be of a semi-luxury nature, i.e. cars, furniture, power mowers, clothing, radios, T.V.'s, toys, plastic goods, etc. (Estimated to cover \$650 million of imports). - 5% additional duty on 499 tariff items covering a wide range of imports such as machinery, textiles, electrical apparatus, etc. Excluded altogether will be \$2,900 millions of annual imports comprising such items as basic foods, raw materials, industrial components, agricultural machinery, etc. These surcharges will apply to imports from all countries except those whose exports are already subject to the highest (General) tariff schedules, i.e. Hungary, Albania, Siam, Okinawa and others.	(a) An increase in prices of imported goods is inevitable, as importers and retailers will not be prepared to absorb the increased costs. Price increases will also be greater than the amount of the tariff increase since 11% Federal sales tax and the 3% Ontario sales tax are both imposed on the total price of the article after duty is paid. (b) Revenue accruing to the Federal Government from these surcharges is estimated at \$200 million. On the other hand, since the tariff increases are described as <u>temporary</u> , domestic production may not respond as much as hoped. (c) Difficulties may also arise with GATT nations, since Canada must obtain the consent and cooperation of these countries.



## Measures

### II Tourist Exemptions from Import Duties

Exemptions for Canadian tourists travelling outside the country previously amounted to \$100 worth of duty free goods every four months or a total of \$300 per year, if purchased in Continental North America. If visiting overseas for a minimum of 14 days, the sums were \$200 and \$300 respectively. The new regulations lower the exemptions to \$25 every three months up to a maximum of \$100 per year. The imbalance on current account resulting from tourist spending is estimated to be in the neighbourhood of \$100 million annually. It is forecast that the charges noted in I and II should improve the total balance on current account by approximately \$300 million over a full year.

## Comments

- (a) The attractiveness to Canadians of combining a holiday and shopping trip across the border will have diminished to a certain extent as a combined result of this restriction and the present discount on Canadian funds. Thus many Canadians may well holiday in Canada instead of overseas, lessening the pressure on the value of the Canadian dollar.
- (b) In addition, the premium on American currency should encourage visitors from the U.S. to visit Canada, making available foreign exchange for the Federal Government and increased income for the tourist industry in Ontario. At present, Ontario receives better than 55% (dollar value) of the tourist trade.
- (c) Last year (1961) the deficit on tourist account was \$160 million. On this basis, Canada can expect to improve her balance on tourist account.

### III Revision of Governmental Expenditures

The Federal Government will reduce expenditures by \$250 million (over a full year). Although no indication was given on June 24 as to what items would be affected, on June 26, following a cabinet meeting, it was announced that all Public Works Department contracts not already under way would be delayed until further notice. Expenditures fixed by statute will not be effected; these include pensions, family allowances, etc. It is expected that revenues from surcharges outlined in I above, and the cut in expenditures (III), will reduce the budget deficit by approximately \$450 million if operative for a full year.

- (a) It was originally expected that reductions in expenditures would be confined to the area of defense spending, consisting mainly of reduced imports of foreign arms and other military equipment. The latest pronouncement indicates a cut in government construction, while attempting "to afford as much employment as possible". As yet, no estimate has been given as to the amount of money involved, but it is reported that all contracts not already started will be delayed pending final decision from Ottawa.
- (b) Any reduction in current government expenditures, if not matched by corresponding increases in other parts of the economy cannot help but produce a contraction in overall activity and further aggravate the unemployment situation.



## Measures

### IV Increased Reserves of the Foreign Exchange Fund

The Prime Minister announced that Canada has received loans and standby credits totalling \$1,050 million as follows:

International Monetary Fund	-	\$300 million (loan)
Export-Import Bank (U.S.A.)	-	\$400 million (credits)
Federal Reserve System (U.S.A.)	-	\$250 million (reciprocal currency arrangement)
Bank of England (U.K.)	-	\$100 million (reciprocal currency arrangement)

## Comments

(a) Initially, this show of determination to keep the dollar within the specified range of the fixed rate has had the desired effect of relieving immediate pressures.

(b) It appears likely that importers and foreign investors will reverse their previous actions and begin to hold Canadian currency in increasing quantities.

(c) However, to receive the I.M.F. loan we must presume that Canada had to formulate certain policies and give assurances that a period of economic "belt tightening" will occur. Items I to III and V are probably the results of these negotiations.

### V The Bank Rate

Subsequent to the Prime Minister's announcements, Bank of Canada Governor Basmansky announced that the minimum rate at which the Bank of Canada makes advances to chartered banks is fixed at 6%. However, the Bank is prepared to enter into purchase and resale agreements with money market dealers at a rate of interest of one quarter of one per cent above the average rate of 91-Day Canada Treasury Bills at the preceding weekly tender, or at the bank rate, whichever is the lower. Fixing the bank rate at such a high level is designed to "protect the external value of the national monetary unit ....." .

(a) This step signifies both here and abroad, that Canada is facing up to its economic responsibilities. However, it may only attract short-term funds, and, provided that more comprehensive corrective measures are not undertaken, any decline in interest rates could cause a recurring flight of "hot money". On the other hand, if a high interest rate structure is maintained for any length of time, it could have harmful effects in the form of reduced capital formation.

(b) The trend to higher interest costs in this country may well lead to an increase in issues floated in the U.S. where rates are substantially lower.

(c) The increase in the bank rate does not automatically force interest rates higher but it does herald a movement on the part of the Bank of Canada towards tighter monetary conditions which will raise interest rates and increase the cost of borrowing money for the provinces and their municipalities.



General Comments

In summary, the "austerity program" includes temporary tariff increases, apparently directed towards obtaining immediate financial return rather than aimed at an immediate stimulation of domestic industry, a substantial reduction in tourist import exemptions, sizeable cuts in government spending, assistance from the International Monetary Fund and other sources, and a sharp rise in the bank rate.

Announcing these measures, the Prime Minister stated: "Developments have been such that a comprehensive program has become necessary to relieve the pressure on the Canadian dollar .... to bring about greater stability in our international transactions and to strengthen our exchange reserves".

The most significant point of the program is the determination to hold the Canadian dollar at its current level of U.S. 92½ cents. The Prime Minister noted that at the time of his statement, Canada's foreign exchange reserves stood at about \$1.1 billion, a decline of some \$300 million since the beginning of May.

A substantial portion of the labour force is still unemployed and higher interest costs are not conducive to encouraging producers to undertake new projects at this time. Price increases resulting from the devaluation of the dollar and the new higher tariff structure could compound the situation. Furthermore, since Canadian goods will cost more through higher interest charges, if bought on credit, an even greater number of purchases will be deferred, or put off indefinitely, thereby lessening consumer demand which in turn could be harmful to the entire economy.

Since the provinces have more limited fiscal powers than the Federal Government, they will be less able to weather the effects of the new measures. From the point of view of the Ontario Government, new borrowing will likely have to be made at higher interest rates in Canada, or funds will have to be obtained in the U.S. If economic activity slows down through a reduction in expenditures, provincial revenues could decline substantially, adding to the above problems.

The measures introduced undoubtedly should do much to relieve the immediate pressure on the value of the Canadian dollar but the basic problem will still remain - i.e. the necessity for Canada to improve its balance of payments on commodity account by increasing Canadian exports and achieving a surplus. The tariff provisions could be of particular benefit to Ontario if manufacturers attempt to restrain price increases and streamline production methods. However, these measures are temporary and must not be regarded as protective tariffs.



Canadian Money Market - June

Short term funds were in scarce supply throughout the month. The day-to-day loan rate, which stood at 2 3/4% on May 31 continued to advance to reach a level of 3 3/4% by Wednesday, June 20. When the results of the Treasury Bill auction of that week were made known, the day-to-day loan rate advanced to 5%. By June 28, however, the rate had declined to a level of 4 1/4%. These movements are shown in Appendix B-1.

The average yield on 91-day and 182-day Canada Treasury Bills consistently increased at each of the weekly auctions held throughout the month. The yield rose by 1.93% and 2.02% respectively on the 91-day and 182-day maturities since May 31. Average weekly yields and the weekly distribution of outstanding Canada Treasury Bills during June are shown in Appendix B-1.

Rates on prime finance and commercial paper, which are also shown in Appendix B-1, evidenced the same upward trend. The market for Banker's Acceptances is virtually non-existent as the cost to the borrower using this credit instrument is in excess of the present 6% prime lending rate.

Price losses on short-term bonds ranged up to four full points during the month. Thus an entirely new range of yields on monetary market Canada bonds - 5% to 5.60% as compared with 3.25% to 3.95% at the beginning of the month - was well established by month-end.

The chartered banks announced on June 28 that interest on savings deposits will be raised to 3% from 2 3/4%, effective July 1, 1962. Similarly, the prime lending rate, the banks' rate for the most credit-worthy borrowers, will be raised to 6% from 5 1/2% on July 3, 1962. The new rates are the highest since World War II, and have been increased in response to rising interest rates in other sectors of the financial community.

Canadian Bond Markets - June

Actual cash buying on the Canada bond market was negligible during the first half of June. Activity was confined to switching of maturities and some short selling of the longer-term issues. After the announcement of austerity measures and the new fixed bank rate



(6.00%) further downward price adjustments occurred, but these were not as severe as was initially expected. The Canada bond market remains in an unsettled state, and dealers believe that when the refunding of the \$285 million 3% August 1, 1962 issue takes place, some indication of the future trend in bond prices will become apparent.

The extent of the decline of Canada bond prices, which in many cases ranged to more than four full points, is shown in Appendix B-2.

Similar though less severe downward price adjustments occurred on the Provincial bond market during June. Reports indicate heavy cashing in of British Columbia parity bonds in June. Premier Bennett announced early in July that the rate of interest on parity bonds had been increased from 5% to 5 1/2%. No new provincial issues came to the market during June. An indication of the downtrend in prices of Ontario and H.E.P.C. issues is given in the Appendix B-3.

Corresponding downward price adjustments occurred on the Municipal bond market during the past month. Prior to announcement of the fiscal and monetary measures imposed by Ottawa of June 24, no new significant issues had come to the market. Since that time, plans for issues have been further delayed pending more settled conditions in the bond markets, and many municipalities are reported to be handling finances through bank accommodation.

The Corporate bond market remained relatively inactive throughout the month. Price losses ranging from one to five points were commonplace. The highlights of the month included a \$30 million Bell Telephone Co. of Canada 5 1/2% 22-year issue priced to yield 5.58% and an \$8 million John Labatt Ltd. 5 3/4% 15-year issue priced at par. Details of these and other issues are given in Appendix B-8.

According to figures released by the Financial Post, dividend payments by Canadian companies for the first seven months of 1962 are 7.2 per cent higher than the like period in 1961. Final figures for January-June, 1962 and preliminary payments and declarations for July total \$534.9 million as compared with \$498.8 million at the same time last year.



The monthly figures issued by Wood, Gundy and Company Limited indicate that public bond financing in the first six months of 1962 amounted to \$1,136,972,739 as compared with \$1,361,061,525 in the same period last year - a decrease of 16.5 per cent. The breakdown is illustrated in the following table:

Canadian Bond Financing January 1st to June 30th	1961		1962	
	Amount \$	% of Total %	Amount \$	% of Total %
Canadian Direct and Guaranteed (1)	360,000,000	26.4	200,000,000	17.6
Provincial Direct and Guaranteed (1)	465,860,000	34.2	387,193,000	34.1
Ontario Municipal	88,622,536	6.5	90,410,929	8.0
Quebec and Maritime Municipal	125,196,250	9.2	110,885,000	9.7
Western Municipal	17,897,739	1.3	22,077,810	1.9
Corporation	303,485,000	22.4	326,406,000	28.7
	<u>1,361,061,525</u>	<u>100.0</u>	<u>1,136,972,739</u>	<u>100.0</u>
Payable in Canadian Funds	1,280,659,525	94.1	1,035,472,739	91.1
Payable in U.S. Funds	80,402,000	5.9	101,500,000	8.9
	<u>1,361,061,525</u>	<u>100.0</u>	<u>1,136,972,739</u>	<u>100.0</u>
Refunding	383,102,000	28.1	255,668,100	22.5
New Money	977,959,525	71.9	881,304,639	77.5
	<u>1,361,061,525</u>	<u>100.0</u>	<u>1,136,972,739</u>	<u>100.0</u>

(1) Over two years in term.

#### Canadian Stock Markets - June

The downtrend in share prices experienced in May continued during the month of June. The uncertainty arising out of the unsettled political situation after the June 18 election of a minority government may be a factor influencing investor attitudes in Canada, but activity on Wall Street still appears to be a major factor.

The decline in equity prices on the North American stock markets was further accentuated in Canada by a reported large-scale withdrawal of foreign funds. However, this flight of funds appears to have been arrested, at least temporarily, following the Prime Minister's announcements of June 24. During the last week of June, prices of most shares rallied above the lows established on June 25.



The Toronto Stock Exchange Industrial Index closed the month at 533.27, a decrease of 22.65 on Index over the month. In contrast, golds closed at 96.22, an increase of 6.09 on Index over the month. Changes in these and other representative stock indices are shown in the following table:

	COMMON STOCK AVERAGES						Percentage Change Since May 30, 1962	Dec. 29, 1961
	1961-62		May 31, 1962	June 29, 1962				
	High	Low	(Closing)	(Closing)				
T.S.E. Industrials	629.06	523.69	565.92	533.27	- 5.8	- 13.8		
T.S.E. Golds	97.35	80.09	90.13	96.22	+ 6.8	+ 5.6		
T.S.E. Base Metals	216.90	161.42	191.05	184.28	- 3.5	- 14.8		
T.S.E. Western Oils	131.20	80.82	98.45	95.56	- 3.0	- 19.9		
M.S.E. Papers (New)	527.5	444.7	485.2	470.7	- 3.0	- 6.1		
N.Y. Industrials (Dow-Jones)	734.91	576.93	613.36	561.28	- 8.5	- 23.2		
London Industrials (Financial Times)	365.7	261.3	273.8	268.5	- 1.9	- 11.9		

According to statistics published by the Toronto Stock Exchange the value of all shares traded on the T.S.E. in June (\$171,810,387) was 14.2% less than the same period last year. A comparison of the value and volume of shares traded on the T.S.E. during the first six months of 1961 and 1962 follows:

Month	SHARES TRADED ON T.S.E.			
	1961		1962	
	Value \$	Volume	Value \$	Volume
January	172,208,251	48,465,731	257,802,090	103,560,702
February	165,984,926	40,102,357	197,335,267	65,135,372
March	210,419,954	51,115,859	180,303,855	76,600,798
April	216,742,576	59,723,084	151,436,824	61,406,537
May	266,407,697	78,461,194	227,089,586	56,773,532
June	200,224,750	46,975,514	171,810,387	45,063,672
	1,231,988,154	324,483,739	1,185,778,009	408,540,613



Foreign Exchange Rates - June

Pressure on the value of the Canadian dollar forced the Federal Government to engage in extensive foreign borrowing to maintain the value of our currency above its minimum prescribed level. Interest rates were also allowed to rise, in an attempt to reverse the flow of foreign funds.

These two measures combined with the Government's stated aim of reducing the budgetary deficit, appears to have damped down speculative pressures, and a slight inflow of funds has been reported. After allowing for increases due to the loans and credits, official Canadian holdings of gold and foreign currency increased by \$58 million during the period June 24 to June 30.

The American dollar, which had been trading at a level of \$1.09 most of the month, declined to \$1.08 5/32 by June 29.

The British pound sterling traded within a narrow range - \$ 2.80 3/4 - 63/64 on the New York Foreign Exchange market in June. A comparison of selected exchange rates on a weekly basis is shown in Appendix B-10.



MONEY MARKET STATISTICS

	June 7	June 14	June 21	
<u>Money Supply (\$million)</u>				
15,553	15,565	15,433		
3	3 1/2	5		
<u>Day-to-day Loan Rate (%)</u>				
5				
Average Yield on Treasury Bills (%)				
91-Day	3.62	3.93	4.92	5 1/2 - 1/2
182-Day	3.82	4.12	5.16	5 1/2 - 3/4
Canada Treasury Bills Outstanding (\$million)				
91 Day	1235	1235	1235	5 3/4 - 3/4
182 Day	650	650	650	5 3/4 - 1/4
Prime Finance Paper Rates (%)				
30 - 89 Days	3 3/8 - 1/2	3 1/2 - 3/4	4 1/2 - 5 1/8	4 3/4 - 5 1/4
90 - 179 "	3 5/8 - 3/4	4 1/4	5 1/4 - 1/8	5 1/2 - 5 1/4
180 - 269 "	3 7/8 - 4	4 1/2	5 1/4 - 1/2	5 1/2 - 3/4
270 - 365 "	4 1/8 - 1/4			5 1/4 - 1/2
Prime Commercial Paper Rates (%)				
24 hr. Demand	3 3/8 - 5/8	3 5/8 - 7/8	4 3/4 - 5 1/4	4 3/4 - 5 1/4 *
30 day Demand	3 1/2 - 3/4	3 3/4 - 4	5 1/4 - 5/14	
* Subject to negotiation.				



SELECTED GOVERNMENT OF CANADA BONDS, PRICES AND YIELDS

(As at Mid-Market Close)

	December 29, 1961	Price \$	Yield %	May 31, 1962		June 29, 1962		May 31, 1962 to June 29, 1962		Change End of 1961 to June 29, 1962	
				Price \$	Yield %	Price \$	Yield %	Price \$	Yield %	Price \$	Yield %
4%	15 December 1963	100.625	3.62	99.975	3.97	99.30	5.23	- 0.675	+ 1.26	- 1.325	+ 1.61
3 3/4%	1 September 1965	98.875	3.97	98.125	4.24	94.50	5.49	- 3.625	+ 1.25	- 4.375	+ 1.52
2 3/4%	15 June 1967/68	92.125	4.08	92.00	4.16	87.25	5.10	- 4.75	+ 0.94	- 4.875	+ 1.02
4 1/4%	1 September 1972	96.125	4.67	95.125	4.81	91.00	5.34	- 4.125	+ 0.53	- 5.125	+ 0.67
3 1/4%	1 June 1974/76	83.125	4.85	82.75	4.92	79.50	5.30	- 3.25	+ 0.38	- 3.625	+ 0.45
3 3/4%	15 January 1975/78	86.75	4.90	87.25	4.88	83.50	5.27	- 3.75	+ 0.39	- 3.25	+ 0.37
3 1/4%	1 October 1979	80.75	4.84	80.50	4.89	76.50	5.30	- 4.00	+ 0.41	- 4.25	+ 0.46
4 1/2%	1 September 1983	93.625	4.75	92.125	5.08	88.00	5.42	- 4.125	+ 0.34	- 5.625	+ 0.47



SELECTED ONTARIO AND H.E.P.C. BONDS, PRICES AND YIELDS

(As at Mid-Market Close)

			December 29,			May 31,			June 29,			May 31; 1962			Change End of 1961 to June 29, 1962		
			1961		Yield %	1962		Yield %	1962		Yield %	1962		Yield %	Price \$		Yield %
			Price \$	Yield %	Price \$	Yield %	Price \$	Yield %	Price \$	Yield %	Price \$	Yield %	Price \$	Yield %	Price \$	Yield %	
<b>Ontario</b>																	
3%	1 November	1963/65	96.00	3.98	95.75	4.20	93.00	5.20	- 2.75	+ 1.00	- 3.00	+ 1.22					
5%	15 July	1963/64	101.375	3.85	100.50	4.00	98.50	5.50	- 2.00	+ 1.50	- 2.875	+ 1.65					
3%	15 December	1968/70	89.00	4.43	88.25	4.60	84.00	5.30	- 4.25	+ 0.70	- 5.00	+ 0.87					
6%	15 November	1969	105.75	5.04	106.25	4.92	101.50	5.65	- 4.75	+ 0.73	- 4.25	+ 0.61					
5 1/2%	15 August	1977/79	101.75	5.30	102.25	5.23	98.25	5.59	- 4.00	+ 0.36	- 3.50	+ 0.29					
5 1/2%	1 May	1978/80	101.75	5.31	102.25	5.24	98.25	5.59	- 4.00	+ 0.35	- 3.50	+ 0.28					
<b>H.E.P.C.</b>																	
3%	1 March	1961/63	99.25	3.40	99.175	3.90	98.00	5.10	- 1.175	+ 1.20	- 1.25	+ 1.70					
4%	1 March	1965/66	97.75	4.46	98.25	4.40	95.25	5.30	- 3.00	+ 0.90	- 2.50	+ 0.84					
5 3/4%	1 July	1969	104.50	4.94	105.25	4.73	100.25	5.60	- 5.00	+ 0.87	- 4.25	+ 0.66					
4 1/2%	1 March	1976/78	93.25	5.06	92.50	5.15	89.00	5.50	- 3.50	+ 0.35	- 4.25	+ 0.44					
5 3/4%	1 July	1979	104.00	5.35	105.25	5.22	100.00	5.65	- 5.25	+ 0.43	- 4.00	+ 0.30					
6%	15 February	1978/80	106.25	5.37	106.00	5.40	103.75	5.55	- 2.25	+ 0.15	- 2.50	+ 0.18					



**Weekly Yields from February 7, 1962 to June 27, 1962 in Respect of Selected Government of Canada,  
Province of Ontario and H.E.P.C. Bonds Issued Since February 1961**



Mid-Month Yields of Selected Government of Canada, Province of Ontario and H.E.P.C. Low Coupon Issues from January 1961 to June 1962

	H.E.P.C.	Ontario	Canada	Ontario	Canada	Ontario	H.E.P.C.
	H.E.P.C.		2 <sup>3</sup> /4%	2 <sup>3</sup> /4%	3 <sup>1</sup> /4%	3%	3 <sup>1</sup> /2%
			June 15, 1967/68 %	Nov. 15, 1965/69 %	June 15, 1971/73 %	Oct. 15, 1975/77 %	Oct. 15, 1974/79 %
<b>1961</b>							
January	4.62	4.88	5.12	4.59	5.20	5.23	5.05
February	4.31	4.66	4.98	4.53	5.06	5.07	5.18
March	4.05	4.56	4.89	4.58	4.74	5.05	5.09
April	4.24	4.70	4.95	4.58	4.74	5.11	5.19
May	4.24	4.70	4.97	4.61	4.74	5.12	5.20
June	4.10	4.58	4.82	4.60	4.64	4.94	5.11
July	3.80	4.27	4.79	4.33	4.41	4.82	4.97
August	3.80	4.27	4.80	4.33	4.41	4.70	4.66
September	3.80	4.27	4.81	4.33	4.41	4.70	4.84
October	3.55	4.23	4.76	4.25	4.53	4.95	5.02
November	3.19	3.95	4.54	4.03	4.38	4.90	5.00
December	3.40	3.98	4.54	4.12	4.32	4.60	4.70
<b>1962</b>							
January	3.40	3.92	4.54	4.09	4.32	4.58	4.77
February	3.69	4.01	4.54	4.04	4.32	4.68	4.86
March	3.47	3.50	4.46	4.01	4.30	4.60	4.79
April	3.48	3.75	4.38	4.01	4.17	4.42	4.66
May	3.55	3.75	4.38	3.92	4.17	4.45	4.67
June	4.40	4.51	4.74	4.33	4.82	4.95	4.92



Comparison of Spread Between Long-Term Government of Canada Yields and Yields in Comparable Provincial, Municipal, Public Utility and Industrial Bond Issues Annually From 1948 to 1961 and Monthly for 1962

Long(1) Term Canada	10 Municipal Bonds		10 Provincial Bonds		10 Utility Funds		10 Industrial Bonds		40 Bond Average		Spread		
	%	Spread	%	Spread	%	Spread	%	Spread	%	Spread	%	Spread	
1948	2.91	0.78	3.69	0.45	3.72	0.81	3.79	0.88	3.64	0.73	0.42	0.56	
1949	2.86	0.71	3.57	0.30	3.39	0.53	3.57	0.71	3.42	0.71	0.25	0.58	
1950	2.77	0.69	3.46	0.35	3.33	0.56	3.50	0.73	3.35	0.72	0.22	0.68	
1951	3.17	0.90	3.65	0.48	3.82	0.65	3.89	0.72	3.86	0.72	0.23	0.79	
1952	3.54	1.11	4.14	0.60	4.23	0.69	4.29	0.75	4.33	0.74	0.21	0.77	
1953	4.65	4.66	4.53	0.47	4.36	0.68	4.49	0.81	4.42	0.81	0.11	0.77	
1954	3.13	3.98	0.85	3.55	0.42	3.94	0.81	4.14	1.01	3.90	0.99	0.21	0.72
1955	2.99	3.71	0.72	3.38	0.39	3.73	0.74	3.98	0.99	3.71	0.99	0.20	0.81
1956	3.58	4.57	0.69	4.16	0.58	4.20	0.70	4.53	0.95	4.39	0.95	0.21	0.81
1957	4.12	5.52	1.40	5.02	0.90	5.21	1.09	5.38	1.26	5.28	1.16	0.16	0.77
1958	4.02	5.13	1.11	4.70	0.68	4.90	0.88	4.98	0.96	4.93	0.91	0.11	0.77
1959	5.05	5.89	0.84	5.55	0.50	5.51	0.46	5.54	0.49	5.62	0.57	0.17	0.72
1960	5.23	6.00	0.77	5.65	0.42	5.68	0.45	5.71	0.47	5.76	0.53	0.14	0.72
1961	4.93	5.71	0.78	5.49	0.56	5.41	0.48	5.48	0.55	5.52	0.59	0.13	0.72
<u>Monthly Average</u>													
1962	January	31	4.77	0.66	5.25	0.48	5.31	0.54	5.41	0.64			
	February	28	4.73	0.58	5.23	0.50	5.28	0.55	5.34	0.61			
	March	30	4.67	0.53	5.18	0.51	5.18	0.51	5.25	0.58			
	April	30	4.60	0.59	5.17	0.57	5.15	0.55	5.22	0.62			
	May	31	4.84	0.43	5.27	0.43	5.39	0.55	5.44	0.60			
	June	29	5.45	0.19	5.70	0.21	5.71	0.22	5.77	0.23			

Source:

MacLeod, Young, Veir and Company Limited 40 Bond Yield Average.  
(1) The 10-Year Long-Term Canadian Bonds in respect of a single bond, whereas 10 are used in the other field.



REDISCOUNT RATES IN CANADA, THE UNITED STATES, AND THE UNITED KINGDOM,  
SELECTED YEARS 1937 to 1961, MONTHLY TO MARCH AND WEEKLY TO DATE FOR 1962

<u>End of Period</u>	<u>Canada</u> %	<u>United States</u> %	<u>United Kingdom</u> %
1937	2.50	1.00	2.00
1948	1.50	1.50	2.00
1950	2.00	1.75	2.00
1951	2.00	1.75	2.50
1952	2.00	2.00	4.00
1953	2.00	1.50	3.50
1954	2.00	2.50	3.00
1955	2.75	2.50	4.50
1956	3.92	3.00	5.50
1957	3.87	3.00	7.00
1958	3.74	2.50	4.00
1959	5.37	4.00	4.00
1960	3.50	3.00	5.00
1961	3.24	3.00	6.00
1962 - January	3.35	3.00	6.00
- February	3.42	3.00	6.00
- March	3.37	3.00	5.00
- April 5	3.34	3.00	5.00
12	3.29	3.00	5.00
19	3.35	3.00	5.00
26	3.32	3.00	4.50
- May 3	3.19	3.00	4.50
10	3.24	3.00	4.50
17	3.36	3.00	4.50
24	3.75	3.00	4.50
31	3.77	3.00	4.50
- June 7	3.87	3.00	4.50
14	4.18	3.00	4.50
21	5.17	3.00	4.50
28	5.70	3.00	4.50



Selected New Corporation Bond Issues  
June, 1962

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\$ 1,100,000	Banff Oil Ltd $6\frac{1}{2}\%$ secured debentures due June 1, 1977 (private placement) .
\$30,000,000	Bell Telephone Co. of Canada $5\frac{1}{2}\%$ first mortgage series W issue, maturing June 15, 1984, offered at \$99.00 to yield - $5.58\%$ .
\$ 8,000,000	John Labatt Limited $5\frac{3}{4}\%$ sinking fund debentures, series D issue, maturing June 15, 1987, offered at par to yield - $5.75\%$ .
\$ 1,000,000	Labrador Acceptance Corporation $6\frac{1}{4}\%$ secured notes, series C (with warrants) due June 15, 1977, priced to yield - $6.25\%$ .



Trends in Industrial Stock Indexes - 1948-1962

	Canada			New York			Standard and Poor's(3)		
	Toronto Stock Exchange(1)			Dow-Jones(2)			High	Low	Spread
	High	Low	Spread	High	Low	Spread	High	Low	Spread
1948	191.44	<u>149.13</u>	42.31	193.16	165.39	27.77	16.93	13.58	3.35
1949	207.36	157.28	50.08	200.52	<u>161.60</u>	38.92	16.52	<u>13.23</u>	3.29
1950	291.31	203.27	88.04	235.47	196.81	38.66	20.60	16.34	4.26
1951	360.88	290.69	70.19	276.37	238.99	37.38	24.33	20.85	3.48
1952	343.50	309.34	34.16	292.00	256.35	35.65	26.92	23.30	3.62
1953	326.81	296.79	30.02	293.79	255.49	38.30	26.99	22.70	4.29
1954	384.18	311.85	72.33	404.39	279.87	124.52	37.24	24.84	12.40
1955	455.90	374.18	81.72	488.40	388.20	100.20	49.54	35.66	13.88
1956	506.33	430.46	75.87	521.05	462.35	58.70	53.28	45.71	7.57
1957	490.42	380.06	104.36	520.77	419.79	100.98	53.58	41.52	12.06
1958	515.02	398.63	116.39	583.65	436.89	146.76	58.97	43.20	15.77
1959	<u>555.65</u>	489.77	65.88	683.90	571.73	112.17	<u>65.81</u>	56.75	9.06
1960	532.84	472.30	60.54	<u>685.47</u>	566.05	119.42	65.02	55.34	9.68
1961	(Based on Closing Quotations)								
Jan.	542.08	524.13	17.95	650.64	610.25	40.39	65.61	60.87	4.74
Feb.	550.75	539.19	11.56	662.08	<u>637.04</u>	25.04	67.79	64.54	3.25
March	560.00	548.25	11.75	679.38	661.08	18.30	68.78	67.06	1.72
April	576.00	558.69	17.31	696.72	672.66	24.06	70.62	68.10	2.52
May	588.06	578.13	9.93	705.96	686.49	19.47	71.25	68.90	2.35
June	593.88	576.44	17.44	703.79	681.16	22.63	71.05	68.22	2.83
July	595.69	580.25	15.44	705.37	679.30	26.07	70.65	68.00	2.65
Aug.	601.75	594.69	7.06	725.76	710.46	15.30	72.38	70.89	1.49
Sept.	610.35	594.33	16.02	726.53	691.86	34.67	72.27	69.17	3.10
Oct.	600.77	595.06	5.71	708.49	697.24	11.25	72.08	70.15	1.93
Nov.	611.98	600.96	11.02	738.33	703.84	34.49	75.60	72.20	3.40
Dec.	620.48	609.42	11.06	<u>734.91</u>	720.87	14.04	<u>76.69</u>	75.02	1.67
1962	(Based on Closing Quotations)								
Jan.	622.90	599.79	23.11	726.01	689.92	36.09	75.22	71.68	3.54
Feb.	623.29	608.79	14.50	717.55	702.54	15.01	74.67	73.21	1.46
Mar.	<u>628.60</u>	617.56	11.04	723.54	706.63	16.91	75.10	73.36	1.74
Apr.	623.93	607.73	16.20	705.42	665.33	40.09	73.16	68.58	4.58
May	617.73	557.96	59.77	675.49	576.93	98.56	70.13	60.02	10.11
June	566.13	<u>510.23</u>	55.90	611.05	<u>535.76</u>	75.29	62.37	<u>54.80</u>	7.57

(1) T.S.E. Index - 20 Industrials.

(2) Dow-Jones - 30 Industrials.

(3) Standard and Poor's Index - 425 Industrials.  
(1941-43=10).





